

Price Transmission and Price Adjustment in Thailand

Sujitta Suthiraks

5302042394

Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy

Thammasat University, Bangkok, Thailand

May 2012

Abstract

The study applies threshold error correction model in analyzing price transmission and price adjustment in the vertical product line for both industry levels and macroeconomic level in Thailand. Industrial sector covers Thai rubber product, representing market with floating price, and Thai sugar product, representing market with controlled/distorted price. Macroeconomic level focuses on price transmission from energy price to producer price and finally to consumers' final product price. The empirical results show that in market with controlled/distorted prices, the price transmission and price adjustment cannot be detected. In market with floating prices, there is significant in imperfect price transmission and asymmetric adjustment with lags of adjustment in both microeconomic and macroeconomic sectors.

Keyword: Price Transmission; Price Adjustment